

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 736 - SB 1792

March 8, 2011

SUMMARY OF BILL: Authorizes licensed wineries to operate up to two satellite facilities that may sell wine, offer complimentary samples, and sell products currently sold at the original licensed winery. Prohibits manufacturing or bottling wine at satellite facilities. Authorizes licensed wineries to transport wine to its satellite facilities.

ESTIMATED FISCAL IMPACT:

**Increase State Revenue – \$3,000/FY11-12/ABC Fund
\$6,000/FY12-13 and Subsequent Years/ABC Fund
\$50,800/FY11-12/General Fund
\$101,500/FY12-13 and Subsequent Years/General Fund**

Increase State Expenditures – Not Significant

**Increase Local Revenue – \$12,500/FY11-12/Permissive
\$25,000/FY12-13/Permissive
Increase Local Expenditures – Not Significant/Permissive**

Assumptions:

- According to the Alcoholic Beverage Commission (ABC), there are 40 licensed wineries in Tennessee.
- Fifty percent are expected to open two satellite facilities (40 total) over a period of two years. There will be 20 satellite facilities to open in FY11-12 and 20 to open in FY12-13.
- No additional personnel or resources will be required by the ABC.
- There will be a \$150 annual permit fee to the State ABC Fund. This will result in an increase to state revenue of \$3,000 (\$150 x 20) for FY11-12 and \$6,000 (\$150 x 40) in FY12-13 and subsequent years.
- Based on information provided by the Department of Revenue (DOR), there will be a five percent increase in total wine sales in FY11-12 and a ten percent increase in total sales in subsequent years.
- The Tennessee excise tax on wine is \$1.21 per gallon.
- According to the DOR, there were approximately 259,458 gallons of wine sold in 2010.
- A five percent increase in sales is an additional 12,973 gallons (259,458 x 5%).
- As a result, the increase to state revenue attributable to the excise tax is estimated to be \$15,697 in FY11-12 (12,973 gallons x \$1.21).

- A 10 percent increase in 2010 sales is an additional 25,946 gallons ($259,458 \times 10\%$) in FY12-13 and subsequent years.
- As a result, the increase to state revenue attributable to the excise tax is estimated to be \$31,395 in FY12-13 ($25,946 \text{ gallons} \times \1.21).
- According to the 2009 Wine Handbook, the average price of wine is \$38.60 per gallon.
- The current state sales tax rate is seven percent; the average local option sales tax rate is estimated to be 2.5 percent.
- The increase to state revenue attributable to sales tax is estimated to be \$35,053 in FY11-12 ($12,973 \text{ gallons} \times \$38.60 \times 7\%$); the increase in FY12-13 and subsequent years is estimated to be \$70,106 ($25,946 \text{ gallons} \times \$38.60 \times 7\%$).
- The increase to local revenue attributable to the local option sales tax is estimated to be \$12,519 in FY11-12 ($12,973 \text{ gallons} \times \$38.60 \times 2.5\%$); the increase in FY12-13 and subsequent years is estimated to be \$25,038 ($25,946 \text{ gallons} \times \$38.60 \times 2.5\%$).
- Based on the information provided by DOR and ABC, any increase to state expenditures to issue and administer new licenses is estimated to be not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

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